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INFORMATION REPORT

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COUNTRY China **CONFIDENTIAL** DATE DISTR. 14 FEB 50
 SUBJECT Evidences of Corruption Among Communist Officials NO. OF PAGES 2
 and Opium Traffic in Communist Areas
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1. An illicit deal in cotton cloth was exposed in Shanghai in late August and early September 1949. CHENG T'ung-ch'ih (程通人), assistant manager of the business section of the Communist East China Trading Company of Shanghai, acting on his own authority, refused a bid from the Shanghai General Trading Company of 11,000 Jen Min I'iao (JMP) per bolt for good quality cotton cloth. Classifying the cloth as inferior quality, although only about one fourth of it actually was bad, he secretly sold 40,000 bolts at 3,200 JMP.
2. The purchaser of the material was the Ta Hsin (大信) Cotton Cloth Company, an unregistered organization established in late August by WANG Pao-hsiang (王寶祥), a member of the Standing Committee of the Shanghai Cotton Cloth Trade Union. During September, WANG's company was declared illegal by trade union authorities. CHENG, however, agreed to continue to deliver to WANG the cloth he had purchased, but a little at a time in order to avoid suspicion.
3. The manoeuvre was discovered by the Economic and Finance Committee of the East China District, and a thorough investigation was made. As a result, in early November CHENG T'ung-ch'ih and some of his associates were dismissed from their positions; and the Ta Hsin Company was dissolved, and all its purchases were reclaimed by the East China Trading Company. CHAO Hsiang (趙祥), manager of the business section of the East China Trading Company in Shanghai, was officially reprimanded by Shanghai municipal authorities.
4. Shipments of food, received as taxation in kind, from the Chaohu (Lake) (巢湖) area Special Commissioner's Office in Anhwei Province to Shanghai totaled four million catties between the first of June and the end of September 1949. Communist army officers in charge of the shipments, however, secretly sold some of the food along the way and used the proceeds to buy clothing, bicycles, and other articles. Further food losses were blamed on the officers because about a million catties of rice was destroyed on river boats during transport either by Nationalist bombings of river traffic or by typhoons. Transport by water had not been authorized by Shanghai authorities.
5. WANG Chieh (王杰), chief of the Social Education Section of the Bureau of Education of Hsuchow (117-16, 34-18), made a large profit from illegal trading in Shanghai in September 1949. Under pretext of purchasing movie

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films for his office, sold one hundred silver dollars of his own and an unspecified number of gold and silver dollars he had obtained through embezzling government funds. On his way back to Hsuehchow he purchased wrist watches and other valuables for later sale there. WANG used his military pass to avoid baggage inspection on this trip.

- [] 6. Shortly after occupying Central China cities, the Communist Military Control Commissions of Kaifeng, Hankow, and Changsha began to sell opium overtly.* Several brands were offered, of varying quality and price, in one, ten, twenty, and fifty ounce packages. Among the brands available were Camel, at Jen Min P'iao (JMP) 7.20 per ounce; Golden Chicken, at JMP 5.40 per ounce; and Bee, at JMP 4.60 per ounce.
- [] 7. Communist authorities have permitted the smuggling of opium in areas not yet under their control. Commodities exchanged for opium were not taxed if brought back into Communist territory.

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[] Comment. Communist opium stocks were collected during the Japanese war, when purchases were handled through the Native Products Company.

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